

## HOUSING NOW

Canada



## Canada Mortgage and Housing Corporation

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## Canadian Market Overview

## New Home Market

***Housing starts remain high in June despite decrease***

The seasonally adjusted annual rate<sup>1</sup> of housing starts was 215,900 units in June, down from 225,800 units in May.

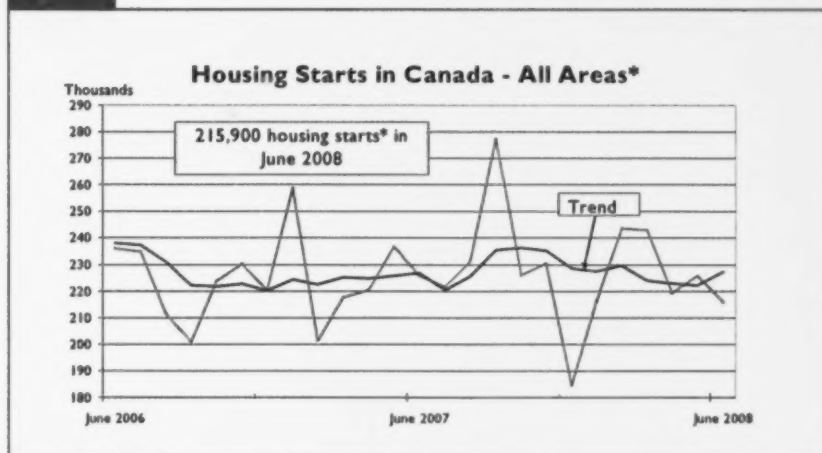
Despite the decrease in June, total housing starts remain at

high levels. This is mostly due to the multiple segment which have accounted for a larger share of urban starts.

***Urban starts down in June due to declines in both multiples and single starts***

The seasonally adjusted annual rate of urban starts moved down by 5.0 per cent in June

Figure 1



Source: CMHC

\* Seasonally adjusted at annual rates

Monthly housing starts numbers published in Housing Now Canada are final and may differ from the preliminary numbers in the starts press release

<sup>1</sup> All starts figures, other than actual starts, are seasonally adjusted annual rates (SAAR) that are monthly figures adjusted to remove normal seasonal variation and multiplied by 12 to reflect annual levels.

## In this Issue:

Canadian Market Overview ..... 1

Update: Rental Affordability Indicators across Canada ..... 4

Starts Statistics ..... 6

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compared to May. Both urban multiples and singles decreased, with a decline of 3.0 per cent for multiples to 114,800 units, and a 7.8 per cent drop for singles to 74,700 units.

### ***Urban starts decreased in four out of five regions***

The seasonally adjusted annual rate of urban starts went down in all regions of Canada, except Ontario, where housing starts increased by 10.9 per cent to 78,100 in June. Urban starts declined to 8,500 units in Atlantic Canada, 40,300 units in Quebec, 31,100 units in the Prairies, and 31,500 units in British Columbia. Both single and multiple urban starts decreased in all regions in June, with the exception of multiple starts in Ontario which increased by 29.8 per cent.

Rural starts were estimated at a seasonally adjusted annual rate of 26,400 units in June<sup>1</sup>.

### ***Year-to date actual starts were up in June***

For the first half of 2008, actual starts in rural and urban areas combined were up an estimated 1.5 per cent compared to the

same period last year. Year-to-date actual starts in urban areas only have increased by an estimated 6.1 per cent over the same period in 2007. Actual urban single starts for the first six months of this year were 13.1 per cent lower than they were a year earlier, while multiple starts were up by 23.1 per cent over the same period.

### ***Growth in new house prices in May moderated***

The New Housing Price Index (NHPI) increased by 4.1 per cent in May 2008 compared to a year ago, which is down from the 6.1 per cent year-over-year growth in March 2008. This was the 4th consecutive month in which the rate of increase in the NHPI has decelerated and is the slowest rate of growth since July 2002's year-over-year increase of 4.0 per cent.

In May 2008, the NHPI increased in all centres across Canada, except for Windsor, compared to May 2007. The largest increase was in Regina at 30.4 per cent followed by Saskatoon at 30.2 per cent. Next was St. John's at 18.8 per cent with Winnipeg following at 16.1 per cent.

## **Existing Home Market**

### ***MLS<sup>2</sup> sales increased in June while new listings moved lower***

Seasonally adjusted MLS<sup>®</sup> (Multiple Listing Service<sup>®</sup>) sales in Canada's major markets<sup>3</sup> increased 0.5 per cent to 25,910 units in June 2008, compared to 25,792 units in May 2008.

Seasonally adjusted MLS<sup>®</sup> new listings in Canada's major markets declined 0.7 per cent to 50,508 units in June 2008, compared to 50,863 units in the previous month.

### ***Sellers' market continues, but conditions are nearly balanced***

An indicator of price pressure in the existing home market is the sales-to-new-listings ratio<sup>4</sup>. New listings are a gauge of the supply of existing homes, while MLS<sup>®</sup> sales are a proxy for demand.

Canada's existing home market has been in sellers' territory throughout this decade. The seasonally adjusted sales-to-new-listings ratio for Canada's major markets increased to 51 per cent in June 2008, up from 50 per cent in May. We will be monitoring conditions in the existing home market over the

<sup>1</sup>CMHC estimates the level of rural starts for each of the three months of the quarter, at the beginning of each quarter. During the last month of the quarter, CMHC conducts the survey in rural areas and revises the estimate.

<sup>2</sup>Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association

<sup>3</sup>The MLS<sup>®</sup> Major Markets include the following: Calgary, Edmonton, Halifax-Dartmouth, Hamilton-Burlington, Kitchener-Waterloo, London & St. Thomas, Mauricie & Trois-Rivières, Montréal, Ottawa-Carleton, Outaouais, Québec City, Regina, Saguenay-Lac St. Jean, Saint John, Saskatoon, St. Catharines District, St. John's, Sudbury, Thunder Bay, Toronto, Greater Vancouver, Victoria, Windsor and Winnipeg.

<sup>4</sup>Taking the Canadian market as a whole, a sales-to-new-listings ratio below 35 per cent has historically accompanied prices that are rising at a rate that is less than inflation, a situation known as a buyers' market. A sales-to-new-listings ratio above 50 per cent is associated with a sellers' market. In a sellers' market, home prices generally rise more rapidly than overall inflation. When the sales-to-new-listings ratio is between these thresholds, the market is said to be balanced.

coming months to determine whether a shift to balanced markets is occurring. The recent gradual shift toward balanced market conditions has caused the rate of increase in house prices to slow.

The June average MLS® price in Canada's major markets was down 0.6 per cent to \$334,041 when compared to May 2008.

### Economic conditions

Employment was virtually unchanged for the second consecutive month, with 5,000 jobs lost in June. Canada's employment rate now stands at 63.7 per cent. This high share of employed Canadians continues to help support

consumer confidence and demand in Canada's housing market.

Month-over-month seasonally adjusted employment expanded in five of Canada's provinces. Alberta led the way with 10,000 new jobs and was followed by Nova Scotia (6,200 jobs), British Columbia (4,400 jobs), Manitoba (3,800 jobs) and Saskatchewan (200 jobs). The largest losses occurred in Ontario which shed 23,900 positions and Newfoundland dropping 5,300 jobs.

The unemployment rate edged up by 0.1 of a percentage point in June to 6.2 per cent. Despite job losses over the past few months, Canada's participation rate was 67.9 per cent in June.

For the 12 month period ending in June 2008, seasonally adjusted employment in Canada expanded by 1.7 per cent, representing an additional 290,000 jobs.

The Bank of Canada paused on July 15<sup>th</sup> leaving its target for the overnight lending rate unchanged at 3 per cent. The Bank has reduced interest rates by 150 basis points since December 2007 in response to global economic uncertainty. There has not been a rate increase since July 10, 2007. The Bank of Canada is still expressing concerns over financial and economic conditions in U.S., but noted that inflation will need to be carefully monitored in the near term.

The price of goods and services included in the Consumer Price Index (CPI) basket increased by 3.1 per cent in June 2008 compared to the same month in 2007. This was the largest increase in the CPI since September 2005. Gasoline prices continue to be a key contributing factor to increasing consumer prices.

Figure 2



Data are seasonally adjusted and annualized

Sources: CMHC, Canadian Real Estate Association (CREA), MLS®

## Updated: Rental Affordability Indicators across Canada

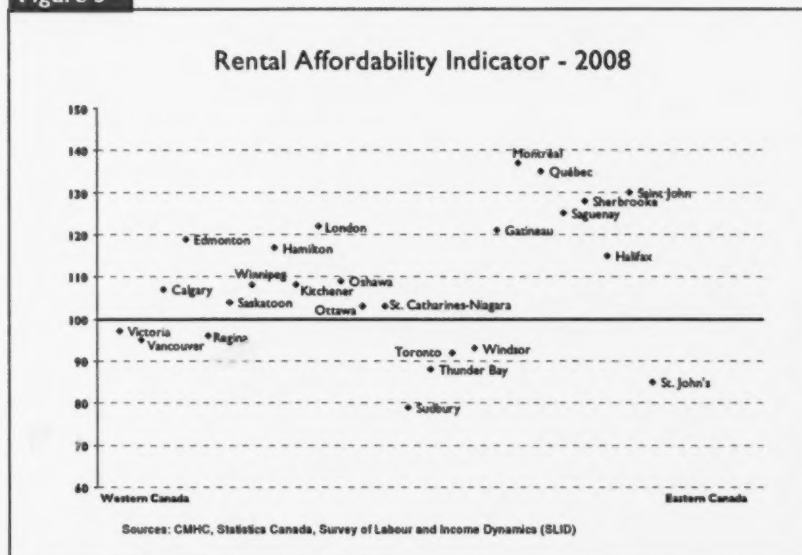
With the release of CMHC's Spring 2008 Rental Market Survey, an update of CMHC's rental affordability indicator for the majority of centres across Canada is now possible.

### Provincial Trends

CMHC's rental affordability indicator<sup>1</sup>, released for 25 out of the 35 major centres<sup>2</sup>, is a measure that allows us to track trends in affordability for those households which rent within a specific market. An indicator value of 100 indicates that 30 per cent of the median income of renter households in a centre is necessary to rent a two-bedroom apartment going at the median rental rate for that centre. When the affordability indicator is below 100, it indicates that more than 30 per cent of income is necessary to rent a two-bedroom apartment, while a value above 100 indicates that less than 30 per cent of income is necessary to rent a two-bedroom apartment. Accordingly, as the indicator increases, the market becomes more affordable; as the indicator declines, the market becomes less affordable.

The rental affordability indicator can be used to examine changes in affordability in a rental market over time.

Figure 3



The median two-bedroom rents used in the calculation of the rental affordability indicator are based on actual amounts tenants pay for their unit. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, hot water, and appliances. When comparing affordability across centres, it is important to note that in some centres the inclusion of utilities and appliances in the rent is more common than in others. These differences have to be kept in mind when comparing affordability of rental markets in different centres. The rental affordability indicator should not be used to judge whether or not a rental market is affordable since the indicator does not take into account the

distribution of median income and rent levels in the analysis, and does not examine the cost impact of renting larger or smaller units.

Rental affordability improved in 15 out of 25 centres over the last year. Over the same period rental affordability decreased in 10 out of 25 centres.

Rental affordability is the highest in Montréal and Québec with an indicator of 137 and 135 as of early 2008. Saint John, Saguenay, and Sherbrooke also had high rental affordability indicators. As a matter of fact, Saint John has had the highest rental affordability indicator across all centres since 1999, reaching a high of 155 in 2004, and only as of early this year has

<sup>1</sup> For an in-depth explanation of the rental affordability indicator refer to Housing Now – Canada, October 2007 edition.

<sup>2</sup> A rental affordability indicator was not produced for Trois-Rivières, Moncton, Barrie, Guelph, Brantford, Peterborough, Kelowna, Abbotsford, and Kingston due to a lack of required data for each centre.



dropped to third place. As well, all CMAs in Quebec were among the top 10 centres that registered a high rental affordability indicator in early 2008. Lower median rent levels and steady income gains have helped support the high levels of affordability in Saint John and across Quebec.

On the other hand, rental affordability was the lowest in Sudbury with an indicator of 79 as of early 2008. St. John's, Thunder Bay, Toronto and Windsor were among the next centres with low rental affordability indicators in 2008. Windsor, which had held the last spot five out of the last 11 years and had remained in the bottom 10 since 1997 has recently seen improvement in its rental affordability indicator. Median rent of a two-bedroom apartment in Windsor has declined since October 2006 while the median income has grown over the same period which has contributed to the improvement in the rental affordability indicator in Windsor over the past year.

For the majority of centres, the rental affordability indicator has fluctuated over the past 12 years. Not only has Windsor seen an improvement in its rental affordability over the past decade, but so have Hamilton and London. Hamilton's rental affordability has been on the rise from 80 in 2003 to its

Table 1

### Rental Affordability Indicator

	2005	2006	2007E*	2008E
Sudbury	80	86	87	79
St. John's	94	89	90	85
Thunder Bay	99	101	96	88
Toronto	91	89	91	92
Windsor	70	76	86	93
Vancouver	103	99	97	95
Regina	105	105	103	96
Victoria	86	99	96	97
St. Catharines-Niagara	106	101	104	103
Ottawa	94	94	97	103
Saskatoon	119	118	110	104
Calgary	116	112	101	107
Kitchener	107	105	101	108
Winnipeg	106	104	103	108
Oshawa	96	102	106	109
Halifax	113	112	113	115
Hamilton	92	107	113	117
Edmonton	128	127	116	119
Gatineau	117	118	118	121
London	91	102	117	122
Saguenay	130	127	128	125
Sherbrooke	148	141	133	128
Saint John	150	144	139	130
Quebec	123	126	126	135
Montreal	138	132	133	137

\* E: Estimate

Sources: CMHC, Statistics Canada, SLID

current level of 117. As well, London's rental affordability reached a low in 2001 with an indicator of 84, but has climbed to 122 as of early this year. All three centres have benefited from healthy income gains and modest rent increases over the past decade.

Another noticeable trend can be seen in Regina and Saskatoon where declines in the rental affordability indicator have occurred since 2002. In fact, Regina's rental affordability indicator has declined from 125 in 2002 to 96 as of early 2008, while Saskatoon's indicator has declined from 128 in 1998 to 104 as of early 2008. Both centres have experienced

stronger average annual growth in the median rent compared to the average annual gains in median renter household incomes, which have impacted the affordability indicator in each centre.

CMHC's fall Rental Market Reports provide a more detailed analysis of rental trends in the respective centres. Each report includes further analysis of the rental affordability indicator for the corresponding centre. These reports can be found on CMHC's website.

## This Month's Housing Data (SAAR)

	2007	Q4: 07	Q1: 08	Q2: 08	M04: 08	M05: 08	M06: 08
<b>Housing starts, units, 000s</b>							
<b>Canada. Total. All areas</b>	228.3	214.0	234.4	220.1	219.3	225.8	215.9
Per cent change from previous period	0.4	-12.2	9.5	-6.1	-9.8	3.0	-4.4
<b>Canada. Total. Rural areas</b>	34.6	33.3	21.4	26.4	26.4	26.4	26.4
Per cent change from previous period	6.9	-8.5	-35.7	23.4	23.4	0.0	0.0
<b>Canada. Total. Urban areas</b>	193.7	180.7	213.0	193.7	192.9	199.4	189.5
Per cent change from previous period	-0.7	-12.8	17.9	-9.1	-13.0	3.4	-5.0
<b>Canada. Single. Urban areas</b>	90.9	90.5	81.9	77.2	76.2	81.0	74.7
Per cent change from previous period	-3.5	-2.0	-9.5	-5.7	-5.5	6.3	-7.8
<b>Canada. Multiple. Urban areas</b>	102.9	90.2	131.1	116.5	116.7	118.4	114.8
Per cent change from previous period	2.0	-21.6	45.3	-11.1	-17.2	1.5	-3.0
<b>Newfoundland. Total. All areas</b>	2.6	3.0	2.8	3.0	2.4	3.6	2.8
Per cent change from previous period	18.6	15.4	-6.7	7.1	-29.4	50.0	-22.2
<b>Prince Edward Island. Total. All areas</b>	0.8	0.8	0.7	0.7	0.8	0.7	0.6
Per cent change from previous period	1.6	0.0	-12.5	0.0	60.0	-12.5	-14.3
<b>Nova Scotia. Total. All areas</b>	4.8	4.7	5.9	3.9	4.4	3.4	3.9
Per cent change from previous period	-3.0	-6.0	25.5	-33.9	-57.3	-22.7	14.7
<b>New Brunswick. Total. All areas</b>	4.2	4.1	4.4	4.6	3.9	5.4	4.6
Per cent change from previous period	3.8	-14.6	7.3	4.5	-9.3	38.5	-14.8
<b>Quebec. Total. All areas</b>	48.6	40.3	48.4	48.0	45.8	51.8	46.5
Per cent change from previous period	1.4	-26.6	20.1	-0.8	0.2	13.1	-10.2
<b>Ontario. Total. All areas</b>	68.1	64.7	78.7	78.6	79.8	74.3	82.0
Per cent change from previous period	-7.2	-11.7	21.6	-0.1	-0.3	-6.9	10.4
<b>Manitoba. Total. All areas</b>	5.7	5.5	5.4	6.0	5.7	6.9	5.5
Per cent change from previous period	14.1	-5.2	-1.8	11.1	21.3	21.1	-20.3
<b>Saskatchewan. Total. All areas</b>	6.0	5.6	6.8	8.2	6.4	7.6	10.8
Per cent change from previous period	61.7	-16.4	21.4	20.6	-4.5	18.8	42.1
<b>Alberta. Total. All areas</b>	48.3	43.0	41.9	29.4	31.4	33.2	23.6
Per cent change from previous period	-1.3	-14.5	-2.6	-29.8	-43.0	5.7	-28.9
<b>British Columbia. Total. All areas</b>	39.2	42.3	39.4	37.7	38.7	38.9	35.6
Per cent change from previous period	7.6	7.1	-6.9	-4.3	19.8	0.5	-8.5

SOURCE: CMHC, Starts and Completions Survey. All data are seasonally adjusted and annualized. This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

## This Month's Housing Data, continued (SAAR)

	2007	Q4: 07	Q1: 08	Q2: 08	M04: 08	M05: 08	M06: 08
<b>Canada. Total. Urban areas</b>	193.7	180.7	213.0	193.7	192.9	199.4	189.5
Newfoundland. Total. Urban areas	1.8	2.0	2.3	1.9	1.3	2.5	1.7
Prince Edward Island. Total. Urban areas	0.5	0.6	0.5	0.5	0.6	0.5	0.4
Nova Scotia. Total. Urban areas	3.3	3.2	4.9	3.1	3.6	2.6	3.1
New Brunswick. Total. Urban areas	3.0	3.0	3.0	3.3	2.6	4.1	3.3
Quebec. Total. Urban areas	40.9	34.2	43.5	41.8	39.6	45.6	40.3
Ontario. Total. Urban areas	62.8	60.1	75.9	74.7	75.9	70.4	78.1
Manitoba. Total. Urban areas	3.8	3.3	3.1	4.1	3.8	5.0	3.6
Saskatchewan. Total. Urban areas	4.8	4.5	5.0	5.7	3.9	5.1	8.3
Alberta. Total. Urban areas	38.5	32.8	37.9	25.0	27.0	28.8	19.2
British Columbia. Total. Urban areas	34.4	37.0	36.9	33.6	34.6	34.8	31.5

\* Thousands of units, quarterly and monthly data are seasonally adjusted and annualized.

## This Month's Major Housing Indicators

	2007	Q4: 07	Q1: 08	Q2: 08	M04: 08	M05: 08	M06: 08
<b>New Housing</b>							
New & unoccupied singles & semis, units 000s	6.0	6.2	6.8	7.3	7.1	7.5	7.4
Per cent change from same period previous year	16.1	8.1	10.0	19.9	14.3	19.2	26.8
New & unoccupied row & apartments, units 000s	8.6	9.1	9.3	8.9	9.1	8.9	8.8
Per cent change from same period previous year	3.0	1.5	7.3	12.3	20.8	11.3	5.5
New House Price Index, 1997=100	153.0	156.3	158.0	n.a.	158.4	158.4	n.a.
Per cent change from same period previous year	7.7	6.2	6.3	n.a.	5.2	4.1	n.a.

## Existing Housing

MLS® resales*, units 000s	520.7	502.2	468.2	n.a.	463.0	457.6	n.a.
Per cent change from same period previous year	7.6	3.1	-10.8	n.a.	-12.3	-15.9	n.a.
MLS® average resale price**, \$C 000s	307.3	319.6	316.5	n.a.	311.3	312.0	n.a.
Per cent change from same period previous year	11.0	12.5	7.1	n.a.	3.5	3.0	n.a.

## Mortgage Market

Posted 1-Year Mortgage Rate, % (period average)	6.90	7.27	7.25	6.68	6.95	6.15	6.95
Posted 5-Year Mortgage Rate, % (period average)	7.07	7.46	7.29	6.93	6.99	6.65	7.15

SOURCES: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

n.a. Figures not available

\* Quarterly and monthly data are seasonally adjusted and annualized (SAAR).

\*\* Annual data is actual. Monthly and quarterly data is seasonally adjusted.

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